

Beacon Weekly Investment Insights

The S&P 500 increased 1.4% last week and approached its all-time high amid a mix of company specific, macroeconomic, and geopolitical news. Inflation remains a concern for both consumers and financial analysts. The Consumer Price Index (CPI) report released last Wednesday showed a 3.0% annual increase. More worrisome was the 3.3% annual increase in the Core CPI, which excludes the volatile food and energy components, versus the expectations of 3.1%. The Producer Price Index (PPI), a measure of wholesale inflation, also remained elevated. Last week's PPI report showed a 3.3% annual increase (tying last month's value), which was the highest since February 2023. A variety of prices have increased over the past year, but the financial media has widely publicized the 53% annual increase in egg prices, due in part to the ongoing bird flu crisis.

The Retail Sales report was released last Friday and provided another economic data point that suggests many consumers are still struggling with the ravages of inflation. Retail sales fell 0.9% last month, well below the consensus estimate of a 0.2% decline. Since the consumer accounts for roughly 70% of U.S. GDP, the risk of a persistent decline in spending bears close watching. Despite the economic turbulence, stocks in the U.S. and abroad continue to climb the proverbial "wall of worry." Futures markets are clearly pricing in a Federal Reserve hold on cutting short-term interest rates, at least through mid-summer. Jay Powell's testimony to Congress last week also emphasized the need for the Fed to be patient when implementing future rate cuts.

The Trump Administration continues to make waves, both domestically and internationally, with its policies. The Elon Musk led Department of Government Efficiency (DOGE) continues to recommend actions that would take a scalpel to the federal government budget. The Consumer Financial Protection Bureau (CFPB) and the U.S. Agency for International Development (USAID) were the latest agencies to come under DOGE's microscope and are facing drastically scaled down operations, if not outright elimination. New U.S. Secretary of Defense, Pete Hegseth, and Vice President J.D. Vance, gave speeches in Europe last week, pushing for an end to the Russia-Ukraine War and demanding that European countries increase their defense spending as a percentage of GDP. President Trump signed an executive order last week instructing agencies to explore the implementation of reciprocal tariffs. Other countries, in turn, stated they may place increased tariffs on U.S. imports stoking inflation fears. Partially on the fears of tariff wars gold has continued its stellar performance, rising almost 10% year-to-date, on the heels of a more than 25% rise in 2024.

Earnings reporting season continues in full swing. In contrast to a somewhat disappointing report from Pepsi, Coca Cola announced strong earnings, perhaps a harbinger of sustainable global growth. Airbnb increased almost 20% last week after reporting strong earnings and announcing expansion plans into Asia and Latin America. On the downside, Lyft fell 5% last week on slower booking growth and the end of its exclusive partnership with Delta Airlines.

The economic calendar is shortened, but active, this week due to the President's Day holiday which was celebrated on Monday. U.S. stock and bond markets were closed yesterday in recognition of the holiday. A contingent of Federal Reserve Governors will be on the speaker circuit this week, with tariffs and inflation certain to be among the topics they will be asked to address. The Housing Starts report will be released on Wednesday. High mortgage rates and a shortage of housing supply are among the more important reasons for high housing inflation rates. The Existing Home Sales report will be released on Friday, providing another indicator on the health of the current housing market.

The Conference Board's Leading Economic Index (LEI) report will be released on Thursday. LEI has provided mixed signals recently, so investors will look for a trend to be established by this widely followed forward-looking indicator of economic growth. Lastly, the S&P Purchasing Managers Indexes (PMI) will also be released on Friday. Like LEI it provides a forward-looking measure of economic growth.

Market Scorecard:	2/14/2025	YTD Price Change
Dow Jones Industrial Average	44,546.08	4.71%
S&P 500 Index	6,114.63	3.96%
NASDAQ Composite	20,026.77	3.71%
Russell 1000 Growth Index	4,191.95	3.70%
Russell 1000 Value Index	1,912.70	4.87%
Russell 2000 Small Cap Index	2,279.98	2.23%
MSCI EAFE Index	2,447.68	8.22%
US 10 Year Treasury Yield	4.472%	-10 basis points
WTI Crude Oil	\$70.57	-1.81%
Gold \$/Oz.	\$2,893.70	9.64%



163 Madison Avenue, Suite 600 | Morristown, NJ 07960 | 973.377.8090 | BeaconTrust.com

Important Information: Beacon Investment Advisory Services, Inc. ("BIAS") is an SEC registered investment adviser, under the name Beacon Trust, and is wholly owned by Beacon Trust Company ("BTC"), which is a subsidiary of Provident Bank. Provident Bank is a subsidiary of Provident Financial Services, Inc., a holding company whose common stock is traded on the New York Stock Exchange. Beacon Trust may only transact business in those states where they are notice filed or qualify for a corresponding exemption from notice filing requirements. Additional information is contained in the respective Form ADV disclosure documents, the most recent versions of which are available on the SEC's Investment Adviser Public Disclosure website at <http://www.adviserinfo.sec.gov>.

SECURITIES AND INVESTMENT PRODUCTS: Not FDIC Insured | May Lose Value | No Bank Guarantee

This publication is limited to the dissemination of general information pertaining to the wealth management products and services offered by Beacon to U.S. residents of those states where not prohibited by applicable law. No portion is to be construed as a solicitation to effect transactions in securities or the provision of personalized investment, tax, or legal advice. Investing involves risks which may lead to losses, including loss of principal. Different types of investments involve varying degrees of risk and there can be no assurance that any specific investment will be profitable. Any reference to a market index is included for illustrative purposes only, as it is not possible to directly invest in an index. Indices are unmanaged vehicles that serve as market indicators and do not account for the deduction of management fees or transaction costs generally associated with investable products, which otherwise have the effect of reducing the performance of an actual investment portfolio. Calculation methodologies are available from BIAS upon request.

Past performance is not a predictor of future results. It should not be assumed that any information discussed herein will prove to be profitable or that decisions in the future will be profitable or provide specific performance results. Any discussion of tax matters contained within this communication should not be used for the purpose of avoiding U.S. tax related penalties or promoting, marketing, or recommending to another party any transaction or matter addressed herein. Beacon Trust does not provide legal advice. 00251580